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National
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Center

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Western Europe Review

4 October 1978

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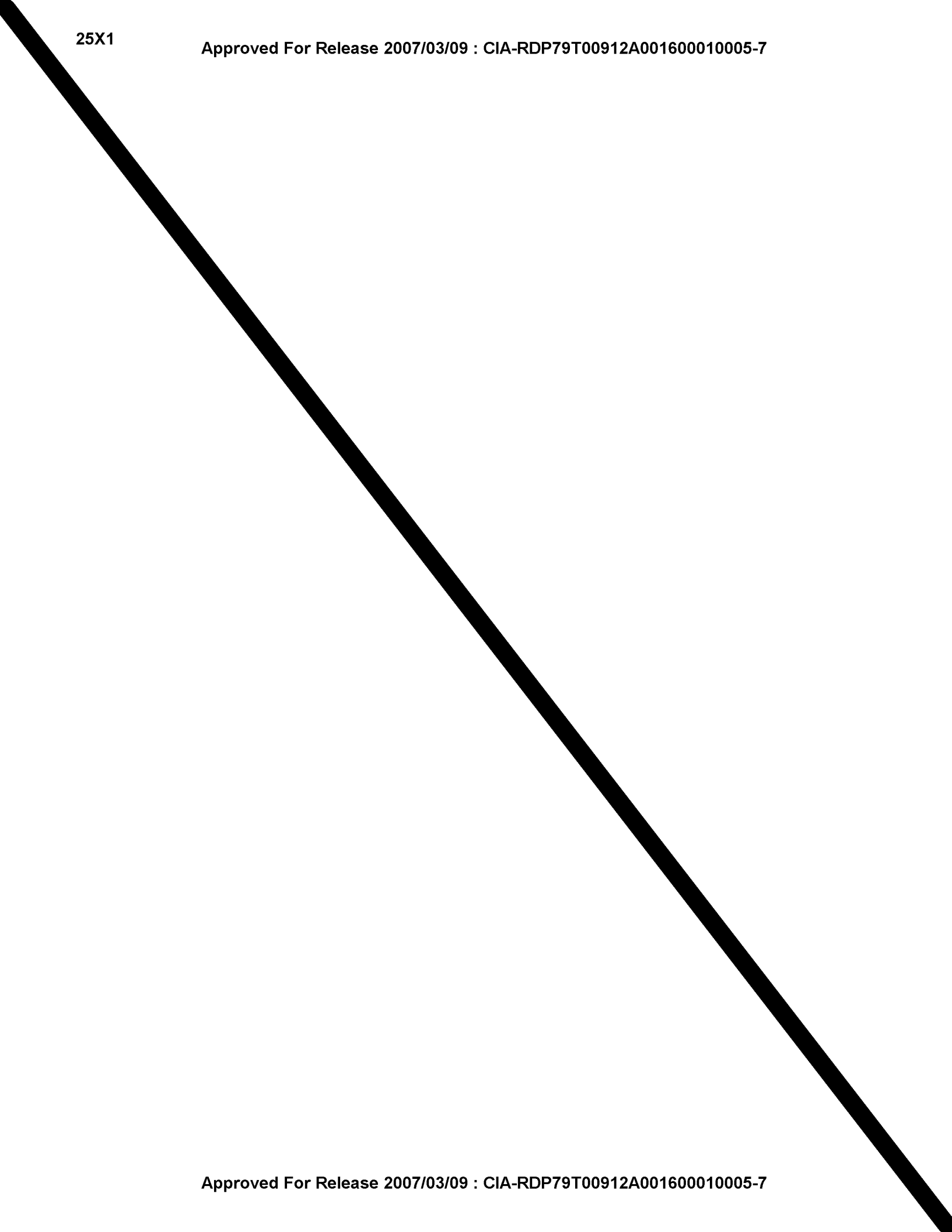

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WESTERN EUROPE REVIEW

4 October 1978

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The Turkish Domestic Scene

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The nine-month-old government of Bulent Ecevit has a record on domestic Turkish issues that at best might be called lackluster, and in two important areas--the economy and political violence--the situation is steadily getting worse. But even though in the last decade it has been a rare government that has lasted a year, Ecevit seems to be in no immediate danger politically. His apparent strength is partly a function of the opposition's weakness: Ecevit's government may be troubled by factionalism but his opponents suffer from even deeper divisions. Moreover, he has reaped domestic benefits from his high-visibility foreign policy--his trips to the US and the Soviet Union, his contacts in Western Europe, his efforts to assert Turkey's independence in international politics, his initiatives in the Aegean and Cyprus disputes. His take-charge approach in both foreign and domestic affairs has reduced his vulnerability even when the results of his efforts have been disappointing.

But beyond these factors, it appears that the processes that produce the fall of Turkish governments simply need more time to work. It is not precise, in fact, to say that Turkish governments fall. Rather, they tend to come unglued, the victims of centrifugal pressures that eventually become irresistible. It seems likely that this will happen eventually to Ecevit, but the process has some way to go. When the breakup comes, factors other than the government's record of achievement--factional divisions, personality clashes, and sheer political opportunism--will play a key role.

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The Economy: Promise and Disappointment

The Ecevit government got a good start in the economic area, but it ran out of steam long before Turkey's massive economic difficulties had been alleviated significantly. Ecevit inherited an economy badly weakened by several years of mismanagement and a year-long payments crunch. With an annual GNP of roughly $45 billion, Turkey had a short-term foreign debt of $5-6 billion, most of it overdue or falling due in less than a year. Inflation was running at an annual rate of 40 to 50 percent. Scattered shortages of imported goods were increasingly affecting production and exports. Unemployment exceeded 15 percent and was rising. Private foreign banks had made new loans needed to maintain imports, contingent on conclusion of an agreement with the International Monetary Fund, and the Demirel government's negotiations with the IMF had broken down.

Last February and March Ecevit sharply devalued the lira, trimmed the 1978 budget, and tightened credit and travel restrictions. An unusual two-year standby agreement for SDR 300 million (roughly $360 million) was approved by the IMF in April, and the first disbursement was made soon thereafter.

The Ecevit government, however, failed to follow through. Turkey quickly reached and nearly breached the standby's three-month ceilings on central bank lending to the public sector. Ankara's oil supply agreements with Libya and Iraq, whereby Turkey is to receive petroleum in exchange for commodities, seemed to contravene the IMF accord's ban on barter agreements. Costly subsidies on exports and other products were maintained. Wage restraints, implicit in the IMF program, did not go very far. After the initial devaluation, the dollar-lira exchange rate was left unchanged. Although Ankara did succeed in rescheduling $1-1.5 billion of official and officially guaranteed loans with OECD governments in May, nothing was done about still another $1.5-2 billion in debt, consisting mostly of trade arrears with individual foreign suppliers.

Perhaps most important, the $1-1.5 billion in new foreign loans, widely expected in the wake of an IMF agreement and needed to finance projected 1978 imports,

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did not materialize. Turkey's insistence on softer repayment terms for $2.5 billion in short-term debt prolonged refinancing negotiations, and major banks were unwilling to consider new credits until outstanding obligations had been cleared. Refinancing arrangements are only now being concluded, with all correspondent banks expected to agree to the terms sometime this month or next. New credits are unlikely to amount to more than $500 million.

The long delay in dealing with the foreign exchange problem has exhausted the patience of many foreign suppliers and banks. Imports, which held up well last year despite mounting payments arrears, have been cut sharply this year. Many industries are operating at half capacity for lack of imported machine parts, packaging materials, or product components. Unemployment is nearing 20 percent, and inflation is still running at over 50 percent annually.

Although Turkey had difficulty meeting IMF criteria for the scheduled August disbursement under its standby, the drawing went ahead in September after Turkey removed subsidies on petroleum products. Without further measures, however, possibly including another devaluation or cuts in other subsidies, Turkey is unlikely to qualify for the next scheduled drawing in November.

Ecevit and his economic advisers are still looking foreign aid to bail out the country. They seem consistently to underestimate the extent to which substantial domestic reforms are needed in order to treat Turkey's economic ills. The government's responses to outside pressure for new measures tends to be grudging and piecemeal, and in the process a reservoir of resentment is built up in Turkey--resentment that often manifests itself in a search for foreign scapegoats.

The Turks have few real choices in the economic sphere. Balance-of-payments considerations will have to override all others at least until 1980. The necessary corrective measures carry high political risks, and Ecevit has shied away from them. In time, however, the political costs of failure to confront the problem could be just as high.

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Political Violence

The striking fact about Turkish political violence is not just its extent but its tendency to grow at a near-geometric rate. Clashes between leftist and rightist extremists in the cities are now causing more than twice as many deaths as they did a year ago; indeed, there is now well over one death per day. Moreover, the clashes no longer are confined mainly to university campuses, nor did violence abate much when students went home for their summer vacations. To the violence--now a standard part of the urban scene--must be added the frequent clashes among Kurdish factions, and between Kurds and government forces, in remote eastern Turkey.

As with Turkey's economic difficulties, much of the violence confronting the Ecevit government has its roots in the attitudes of its predecessor. The Demirel government failed to move decisively against the rightist and leftist youth groups responsible for the violence, in part because one of Demirel's coalition partners--the neofascist, pan-Turanist Nationalist Action Party--was deeply involved. Not only did NAP youth form the nucleus for many of the rightist gangs, but NAP members in the security forces and the government apparatus often saw to it that their young party colleagues went unpunished.

Although violence may already have been something of a way of life before Ecevit assumed the premiership, its increase and its spread away from the campuses after he came to power is striking--and so far unexplained. The rapid increase has taken place in the face of a fairly vigorous government effort to bring it under control. Ecevit has augmented the security forces, obtained British help in training the police, reorganized the intelligence services, and conducted mass arrests of urban "anarchists." He has also worked to root out NAP sympathizers in those parts of the government that deal with internal security.* These efforts seem to have paid political dividends despite their striking lack of success so far: Ecevit, an astute cultivator of public

*His opponents naturally charge that he is replacing the rightists with extreme leftists. There may be a kernel of truth in the charge, but he appears to be operating somewhat more evenhandedly than his predecessor.

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opinion, is at least perceived as grappling with the problem, in sharp contrast to his predecessor. Moreover, there seems to be a widespread belief in the cities that if Ecevit were replaced by Demirel, the NAP's presence would render the new government ineffective once again.

The Dynamics

Ecevit is thus not doing too badly on the issue of political violence. On the economy, his record leaves a great deal to be desired, but his domestic political standing does not seem to have been damaged. The political impact of economic troubles in a place like Turkey, where expectations are not particularly high and there is a centuries-old habit of making do, is always hard to predict. There is at least a fair chance that many people will blame their hard times on other agencies--the will of Allah, for example, or the efforts of powerful outside economic interests--rather than on the government.

In fact, the populace does not expect much of its government. Because of these low expectations, the people are willing to cope with a fair amount of economic hardship; and because violence is often seen as an acceptable--even an admirable--aspect of political life, the government is probably under less pressure than outsiders might expect to come to grips with these issues. Moreover, success on specific issues would not ensure a government's continuation; Ecevit's first government, for example, was out of office within weeks of its highly successful intervention in Cyprus. By the same token, a lack of accomplishments does not ensure a government's demise. The key factors determing whether a government stands or falls involve questions such as these only secondarily.

Government stability is basically a function of the relationships among a relatively small, quite diverse, and highly disputatious elite group centered in the national legislature but also including such elements as local authorities, the media, business, and (in the background) the military. In order to gain enough support from this group to become prime minister, a leader must bring together individuals and factions that are widely diverse in ideological outlook, often preoccupied with personality disputes, and sometimes driven almost

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exclusively by personal ambition or the desire for gain. No matter how skillful the prime minister, the wear and tear of holding office--the need to choose between policies, to reward one group more liberally than another, to maintain contact between individuals who are at odds with each other--inevitably causes strains. The strains accumulate and eventually prove stronger than the forces, pragmatic and otherwise, working to keep the government together.

By all available indications, this process has a good distance to go before Ecevit is in jeopardy. He is a past master at juggling the interests of his various supporters; factionalism within his Republican Peoples Party is no worse than usual; his main opponent, former Prime Minister Demirel, is preoccupied with the internal problems of his own party; and although Ecevit's more conservative backers are disturbed by what they see as his leftist tendencies, they have little liking for Demirel.

But that centrifugal forces are working on Ecevit's government is almost certain. This is the immediate significance of the resignation last month of Deputy Premier Feyzioglu, the widely respected politician who headed a minor party in the governing coalition. Feyzioglu has never stated the reasons for his resignation, but the rumored possibilities are themselves indicative of the sort of strains Ecevit faces:

-- Feyzioglu's resignation statement could be construed to mean that he was dissatisfied with the government's record on economic and law-and-order issues.

-- On the other hand, he is known to be close to the former head of the national bank, a Demirel appointee whom Ecevit fired after a lengthy controversy (Feyzioglu served in Demirel's government from 1975 to 1977).

-- In the background, moreover, is Feyzioglu's long-held belief that Ecevit and Demirel should form a "grand coalition"--a proposal that appeals to neither of them.

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-- Feyzioglu may also be angling for election to the Turkish presidency.

Whatever the specific reasons, Ecevit has lost an influential supporter from the center-right portion of Turkey's fuzzy political spectrum. This is far from a mortal blow. Ecevit's own party is holding firm, the independents (most of them defectors from Demirel's party) who are crucial to his parliamentary majority have not wavered, and the only other minister from Feyzioglu's own party chose to resign from the party rather than quit his post. Indeed, judging from the discipline shown by the government side during a just-concluded special session of the legislature, Ecevit's strength may be growing. Feyzioglu's resignation, however, appears to be a foretaste of the problems that lie in store for Ecevit.

Policy Choices

If Ecevit has a good many more months in power, what are the chances that he will come to grips with the issues of public order and the economy? In both areas, further moves are likely, but Ecevit probably will not get at basic causes. By strengthening the security forces and stepping up the pace of arrests, for example, he may slow or perhaps even reverse the spiral of violence. But to achieve a lasting improvement, a thorough reform of Turkey's ponderous system of higher education and an end to the involvement of groups like the NAP would be required. An economic improvement that would provide better job prospects to youthful Turks might also be necessary. Without such far-reaching changes, there will be constant potential for trouble.

Ecevit will probably continue to resist pressure for far-reaching moves on the economic front. As the time for the next IMF drawing approaches, however, a flurry of action similar to that of last February and March is a good possibility. In this way Ecevit would hope to satisfy the Fund's conditions, make it appear that his government had taken the initiative in putting together the package, and at the same time reduce the domestic political cost of his actions by making the Fund the scapegoat.

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But a flurry of this sort will probably not suffice to bring Turkey out of the doldrums. Balance-of-payments problems, hard currency shortages, a heavy foreign debt load, inflation, and unemployment will continue to plague the government. At some point, economic difficulties of this magnitude are almost certain to have political repercussions--for example, through labor agitation or pressure from businessmen within the elite.

Enter the Military?

The Turkish military has an almost mystical sense of its mission as the final guardian of the Ataturk tradition, and it has intervened twice before when it believed Ataturk's legacy was in danger: once to oust the increasingly authoritarian Menderes government in 1960, and once to oust the increasingly ineffective Demirel government in 1971. In both interventions the government was also confronted with widespread urban unrest.

The military has made clear that it is watching the current situation closely, but it has also made clear that intervention is not in the cards. Indeed, many of the conditions that triggered intervention in the past do not now obtain:

-- Although Ecevit, in keeping with the rough-and-tumble traditions of Turkish party politics, is using his solid parliamentary majority to enhance his government's hold on power, he has shown no inclination to follow Menderes' openly authoritarian path.

-- Unlike Demirel in 1971, Ecevit is not troubled by a rapidly disintegrating political base. The military can plausibly argue that Ecevit remains in charge and should not be interfered with. In addition, Ecevit has assiduously cultivated the military, and the estrangement that developed with Demirel is not likely to be repeated.

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-- Finally, despite the impressive statistics, Turkey's urban violence is far from being a mass phenomenon such as that which triggered military concerns in 1960 and 1971.

It thus appears that a move by the military is still a long way off. If the security situation in the cities should deteriorate seriously--for example, if there was widespread worker unrest as a result of Turkey's economic problems--the military might feel more inclined to move. But unless Ecevit were seen to be contravening Ataturk's precepts, the chances would be against a decision to intervene against the government.

Longer Range Uncertainties

The historic pattern is for Turkish governments to fall apart from their own internal pressures, or (on two occasions) to be ousted by the military. The analysis outlined here suggests that these traditional mechanisms are not likely to cause Ecevit's downfall any time soon. The analysis also suggests, however, that Turkey is in for a long period of economic decline--a decline that sooner or later seems bound to have political repercussions. The obvious contradiction between these two conclusions is impossible to resolve. It may be that Ecevit will stay on top of the political situation indefinitely. It is also possible that he will be succeeded by a series of ineffective governments, or that the military will feel constrained to step in, or even that an authoritarian-minded civilian group like the NAP will be able to pick up the pieces. What seems reasonably certain, however, is that Turkey is in for increasingly difficult times in its internal affairs. [redacted] 25X1

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Spanish Attitudes Toward Nuclear Cooperation With the US

US efforts to revise its bilateral nuclear cooperation agreement with Spain to bring it into line with the US Non-Proliferation Act of 1978 have been coolly received in Madrid. The Spanish lack of enthusiasm betrays Madrid's conviction that it has little to gain from the exercise--and perhaps much to lose. In addition, Madrid's reluctance is consistent with its earlier resistance to the extension of International Atomic Energy Agency safeguards to all domestic nuclear facilities and its disinclination to sign the Nuclear Non-Proliferation Treaty. Although official Spanish objections tend to be based on tactical political considerations, broader political motives bob to the surface in private conversations, and beneath it all there lies a stratum of wounded pride--resentment at being pushed around by a more powerful partner. This makes it difficult for the Spanish Government to accept conditions dictated by the US--particularly when, as here seems to be the case, an acceptable alternative is available.

Spain's approach to the revision of the bilateral agreement reflects a fear that the US is no longer a reliable source of nuclear materials. Madrid complains that the last agreement, signed in 1974, was to have lasted 40 years; revising it, say the Spanish, will set a precedent that may encourage every new US President to add his own interpretation. More pragmatically, Spanish officials have advanced two objections to renegotiating the agreement at this time:

-- The moment is unpropitious domestically. Spanish political energies are now focused on the draft constitution, which is entering the final stages of ratification (a constitutional referendum is expected around mid-November); a controversial new energy plan is coming up for debate in parliament sometime this fall; and

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the political parties are preoccupied with working out a new "social pact" for next year.

-- Madrid is leery of accepting conditions in its bilateral agreement that might prove more restrictive than those to be worked out in negotiations due to start in October between the US and Euratom. Spain expects to join the European Community in 1980 or 1981 and then become a member of Euratom.

Spain clearly does not want the US to be in a position to restrict the free flow of nuclear materials between Spain and the EC countries once Spain has become a member. Nor does Spain want to lose the options of reprocessing spent fuel and experimenting with fast breeder reactors. On these issues Madrid believes it has the solid backing of the EC countries. Logically, therefore, Spain's strategy would be to delay its bilateral negotiations with the US long enough to ensure that they parallel those between the US and Euratom.

Spain and IAEA Safeguards

Two of the three operating nuclear reactors in Spain are US-built and thus covered by IAEA safeguards. The third, Vandellos, is jointly built by France and Spain, and two research reactors are safeguarded only by virtue of their US fuel supply. By the terms of the US Non-Proliferation Act of 1978, Vandellos--and probably the research reactors--would have to be covered by full-scope IAEA safeguards before approval could be granted for US nuclear exports to Spain after 10 March 1980. Spanish officials have repeatedly expressed a willingness to comply with this condition--at least for Vandellos--but little progress has been made. Last March the Director for International Technical Cooperation in the Ministry of Foreign Affairs, Manuel Barroso, who is one of the three key figures in Spanish nuclear policymaking, told US officials that he anticipated Vandellos would be under IAEA safeguards "within 3 to 4 months." It was only last month, however, that Barroso agreed to take the first steps toward consulting with IAEA about which Spanish facilities must come under full-scope safeguards.

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Spanish reservations about accepting full-scope safeguards seem to run along three basic lines:

-- IAEA would probably insist on including centers of nuclear experimentation that Madrid considers completely Spanish.

-- IAEA refusal to appoint Spain to one of its nine permanent governorships probably rankles and makes it difficult for Spain to accept the Agency's safeguards.

-- Accepting IAEA safeguards would, in theory at least, deprive Spain of whatever benefits it enjoys from not signing the Nuclear Non-Proliferation Treaty.

Opposition to the Nuclear Non-Proliferation Treaty

Officially, Spain has advanced the standard reasons for refusing to sign the Nuclear Non-Proliferation Treaty:

-- The promise in Article VI to hold negotiations on nuclear disarmament and control has not been fulfilled.

-- The treaty discriminates against non-nuclear states since it does not compel nuclear powers to submit to safeguards.

-- The treaty offers no guarantee for non-nuclear countries in case of attack.

Spanish military hostility to the treaty appears, in part at least, to stem from the US refusal to provide a security guarantee as part of its bases treaty with Spain. Lacking such a guarantee, the military refuses to accept limits on Spain's flexibility of response.* Spanish military strategic thinking still focuses largely on North Africa, which Spain sees as the only likely source of bilateral or limited conflict. Spain is quick

*The Spanish Government has used military footdragging as an excuse for inaction on other matters, and there may be an element of that in this case.

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to point out that Algeria--with which Madrid has had strained relations since 1975 and which has recently stirred up trouble in the Organization of African Unity over Spain's possession of the Canary Islands--has not signed the treaty.

Although Spain's current political and military leadership has no apparent intention of developing a nuclear device, there are rewards simply in being recognized as having the potential for doing so.* Spain's desire to strengthen its role in world affairs is increasingly evident and should not be underestimated. Recent foreign policy initiatives have underscored Spain's desire to serve as a bridge between Western Europe and both Latin America and the Arab world. Prime Minister Suarez has told US Ambassador Todman that Spain considers itself an important power and means to be taken into account in world affairs. For this reason, if for no other, Spain would be reluctant to give up its "trump card."

Finally, the Nuclear Non-Proliferation Treaty represents to Spain a bargaining asset that might be used to gain favorable terms of entry into the EC or NATO or to settle the longstanding Gibraltar problem. Increasingly, Madrid has linked Spanish adherence to the treaty with Spanish accession to NATO.** Placing Spain under NATO's nuclear umbrella may be the only way the Spanish Government believes available to avoid the loss of prestige that the military associates with a rejection of the nuclear weapons option.

Spanish Options

Attempts to put pressure on Spain at this time could backfire. Madrid could turn to other sources that are

*It is generally believed that Spain could build a nuclear bomb within two or three years.

**Although NATO's political barriers to Spanish membership in the alliance appear to have been removed, it is far from certain that Spain would accept an invitation to join. The current government favors membership, but it will have to overcome opposition from the left, misgivings among the military, and apathy on the part of the population.

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less insistent on nuclear program constraints than the US for technology and enriched uranium. When the US offered a new type of uranium enrichment contract on a "take-it-or-leave-it" basis, Spain turned to the West European consortium Eurodif and the USSR for enriched fuel. Similarly, the recent shift in US policy to tighten controls was closely followed by Madrid's decision to buy at least one nuclear power plant from West Germany (though other factors may have gone into the decision).

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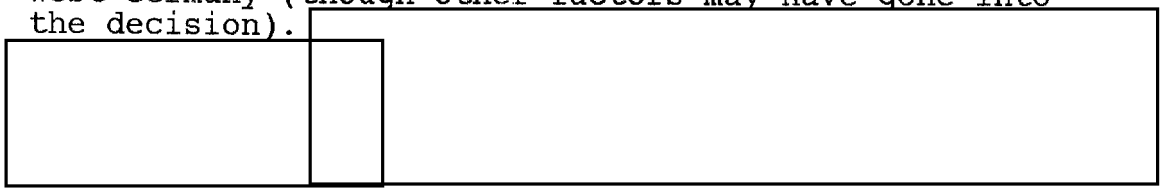

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Spain may also be considering the option of building CANDU-type reactors fueled by its own considerable uranium resources. In time, this could obviate the need for enrichment services, thus greatly reducing Spain's vulnerability to outside pressures on its nuclear program. Practically speaking, however, Spain has committed itself to at least nine nuclear reactors requiring enrichment services, and it seems unlikely that Madrid would attempt to develop heavy water technology at this stage.

Prospects

If handled tactfully, Spain may be prevailed upon to accept some form of IAEA safeguards for all of its nuclear facilities. But it is increasingly obvious that Madrid senses a parting of the ways between Western Europe and the US on nuclear policy. Given the high priority Spain attaches to "joining Europe" and the coincidence of Spain's nuclear views with those of the EC, it seems clear that Spain would side with Western Europe if forced to make a choice.

Spain will certainly try to retain its options to reprocess spent fuel and experiment with fast breeder reactors along lines similar to those of its West European neighbors. It seems equally likely that Spain will not adhere to the Nuclear Non-Proliferation Treaty before joining NATO--although there is a chance that pressure from Euratom members might include accession to the

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treaty as a stipulation for joining the EC. In the meantime, Madrid will continue to seek ways to diversify its sources of technology and enrichment services. [redacted] 25X1

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USSR-France: Outlook for Relations

The Soviets will attempt to use Foreign Minister Gromyko's visit to Paris, now scheduled for 25-27 October, to convey an image of forward movement in relations with France. Favorable press commentary on French policies is appearing again in Moscow, and a goodwill visit by a Soviet Air Force squadron to France took place early last month.

This approach to France, like recent Soviet treatment of West Germany, is consistent with the policy line described by President Brezhnev at Minsk last June, following the Soviet leader's successful visit to Bonn. In general, the USSR is seeking to improve its relations with any West European state willing to agree that detente in the region is both essential and endangered by the absence of a major diplomatic breakthrough. Progress on resolving hard bilateral problems is accordingly deferred under this new approach, though ostensibly not for long.

With France in particular, the Soviets have lately demonstrated great ability to finesse a number of difficult issues that several months ago seemed likely to sour the entire relationship. Recent talks regarding the two countries' policies in Africa resolved little, but each side apparently attempted to project a preference for restraint and mutual understanding. The two sides have apparently left behind the mutual bitterness that resulted from the French intervention in Zaire earlier this year.

Moscow has been making statements favoring increased bilateral trade, which, while unlikely to show quick results, may soothe the French disappointment over less than expected growth in economic relations. Apparently dormant for the time being is the subject of French proposals for European disarmament extending "to the Urals," which are far from welcome in Moscow.

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The Soviets are aware that France does not want Soviet relations with West Germany to be closer than Soviet-French relations, a sentiment they presumably will try to exploit. Recent successful meetings between Giscard and Chancellor Schmidt, however, may reduce this opportunity to introduce wedges between the two countries.

The issue most capable of disrupting Franco-Soviet relations during a period of Soviet desire for calm remains proposed French weapons sales to China. The Soviets have repeatedly indicated that they would view such a transaction as an unfriendly act. A Paris-Peking deal, however, is unlikely prior to Gromyko's visit.

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Finland-USSR: Changing Relations

Finland has agreed to several new arrangements with the USSR that suggest Helsinki, while continuing to espouse neutrality as the keystone of its foreign policy, has begun to reconsider the constraints neutrality places on Soviet-Finnish relations. The change in policy has been telegraphed in several ways: the recent conclusion of a 15-month plan for military contacts, heretofore arranged on an ad hoc basis; the expansion of joint economic ventures, including Finnish participation in the sale of Soviet nuclear power plants to third countries; and statements on the desirability of Finnish-Soviet initiatives for international disarmament including, but not limited to, a Nordic nuclear-free zone. Of particular interest was the absence of the usual reference to Finnish neutrality during the September meeting between Soviet Premier Kosygin and President Kekkonen.

The Plan for Military Exchanges

A plan for Finnish-Soviet military contacts during 1978-79 was signed on 19 September by Soviet Marshal Ogarkov, chief of the Soviet General Staff, and Finnish Commander in Chief Sutela. The plan covers exchanges of visits by military students and sports and musical groups, and provides for increases in the number of Finnish officers at Soviet military schools. In an attempt to deemphasize the importance of the document, the Finns point to what they claim are only insignificant increases in contacts in the continuing exchanges and the low status of the document--merely a plan, not an agreement, signed by military officers rather than diplomats or ministry officials. The comprehensive plan is, however, a first for the Soviets that will help them institutionalize their relations with the rising generation of Finnish officers--a generation without the marked anti-Soviet feelings tied to defeat and loss of territory that characterize present Finnish military leaders.

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Traditionally, the Finns have sought to protect their neutrality by minimizing military contacts with the USSR and balancing each contact with a similar one with the West. Helsinki now seems to believe that giving the Soviets additional information about the Finnish Defense Forces will fill the Soviet need for security assurances. So long as the Soviets are convinced the Finns can defend their own borders, the argument goes, the Soviets have no cause to place Soviet troops on Finnish territory under the provisions of the Friendship, Cooperation, and Mutual Assistance Treaty signed in 1948.

Increased Commercial Contacts

The Soviet share of Finnish trade has gone up rapidly in the past few years. Commercial ties with the USSR have become more important for the Finnish domestic economy because Soviet purchases help shore up some of Finland's most depressed industries and aid areas of unemployment.

When energy-deficient Finland was trying to decide where to purchase nuclear reactors for power production, the Soviets offered credit arrangements Helsinki could not afford to turn down. The technologically talented Finns wedded the Soviet reactors to Western technology--an innovation that resulted in an improved system that may now be competitive with wholly Western-designed systems. The Finns and Soviets have agreed to work together on a nuclear power plant to be built for Libya. The two countries may also establish a similar arrangement for truck production and sales.

A 13-year agreement for development and cooperation in trade, economic, industrial, scientific, and technical endeavors signed in May 1977 provides momentum for these joint ventures. The Soviets are using this agreement to press for greater Finnish purchases of Soviet industrial products rather than raw materials.

Political Changes

The Treaty of Friendship, Cooperation, and Mutual Assistance provides for consultations and assistance in the event of a military threat to Finland, or to the Soviet Union through Finland. Soviet leaders have chosen

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to interpret these provisions as a military alliance. President Kekkonen argues that no military cooperation is called for if Finnish forces are reliable and that the treaty certainly does not constitute a military alliance. He believes Finnish independence--defined as freedom from the presence of foreign troops--rests on Moscow's accepting Finnish neutrality. The Finnish President has called gaining this acceptance his life's work.

During the post-Stalin thaw in the USSR, Finnish neutrality was readily acknowledged by the Soviets. After the 1968 Soviet invasion of Czechoslovakia, Moscow, apparently fearful of the spread of neutrality in Eastern Europe, began to refer more frequently to the military cooperation provisions in the treaty. Still, Kekkonen elicited Soviet statements on Finnish neutrality that were only slightly less reassuring. References to Finnish neutrality have been a hallmark of the frequent meetings between Soviet Premier Kosygin and Kekkonen.

The departure from this traditional policy was especially evident last July when Soviet Minister of Defense Ustinov, during a visit to Finland, called for joint Finnish-Soviet maneuvers. Kekkonen apparently did not respond to Ustinov's repeated overtures, and Helsinki subsequently attempted to deny that the request had been made. Because of Kekkonen's long interest in maintaining Finnish neutrality, he must have raised the issue during his meeting with Kosygin last month. The usual reference to Finnish neutrality was not included in their public statements, even though each referred to the 1948 treaty, detente, and other international concerns that in the past have provided the context for such a reference.

Reasons for the Policy Shift

Kekkonen's traditional policy may not have the solid support of the rising generation of military officers and economic officials who probably do not see a malevolent Russia ready to grab Finnish territory, but instead see a useful commercial partner with legitimate security concerns.

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Kekkonen may also have been so overwhelmed at the threat implied in the proposal for joint maneuvers that he felt justified in not pressing so hard for Soviet recognition of Finnish neutrality as long as Ustinov's proposal was dropped. He may believe that if he has Soviet backing for his proposals for international disarmament, especially his Nordic nuclear free-zone plans, Finnish security would be guaranteed without explicit Soviet assurances about his country's neutrality.

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Malta: Differing Perceptions in Negotiations With Western Europe

In six months the British military presence on Malta will end. Malta is worried about the negative impact of the withdrawal on its economy, while a number of Western nations are concerned that Malta might become more vulnerable to Libyan or Soviet pressures. Prime Minister Mintoff has attempted to deal with these problems diplomatically through complex negotiations that envision a formal guarantee of Maltese neutrality after the British withdrawal in exchange for direct economic assistance from four nations--Italy, France, Algeria, and Libya. These negotiations have continued fitfully for more than two years with little progress toward an agreement--a situation that stems in part from the markedly different West European and Maltese perceptions of the problem.

The Maltese Perspective

Malta's political significance depends almost entirely on its geographic location. It lies on the major maritime routes in the Mediterranean and offers good harbors suitable for both military and commercial purposes. Its location has given it a long and important role in the history of conflict in the Mediterranean. Possession of Malta was traditionally thought to be one of the keys to control of the Mediterranean.

The interplay of geography and history has always been evident in Malta, especially during World War II when Malta contributed to the Allied victory in North Africa. British control of the island deprived German forces of critical supplies and manpower that might have tipped the campaign in their favor. Reputedly, Admiral Raeder requested that Hitler attempt to capture Malta before attacking Russia. Hitler refused. German action against Malta was chiefly confined to fierce aerial bombardments, which the Maltese valiantly and successfully resisted.

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The Maltese are proud of their record in World War II, and most officials share the people's pride. The memory of this heroic stand probably helped shape Prime Minister Mintoff's perception of Malta's strategic value to the West and partly justifies, to Mintoff and most Maltese, the demands he is making for direct budgetary subsidies from Italy, France, and increasingly, West Germany to replace the revenues Malta will lose when the British leave next March.

The Maltese would undoubtedly argue that Malta, once described as an "unsinkable battleship," could still serve as a weapons platform in the Mediterranean. They would also argue that the West's bases in Italy may not remain secure indefinitely. Therefore, they assert that the West should continue to be greatly concerned about Malta's future.

The West European View

West European perceptions of Malta are complex, but two aspects stand out in their negotiations with Mintoff. In contrast to the Maltese emphasis on the past, the West Europeans tend to view Malta in terms of the present and future. Moreover, they assess Mintoff's options as limited.

The West Europeans recognize more clearly than Mintoff that time has reduced Malta's relative importance to the West. They point to the extent to which nuclear weapons have diminished Malta's strategic value and apparently believe Malta would be significant in a conventional conflict only if NATO did not have a well-developed network of bases in Italy. The West Europeans see Malta as important only if it were to become available to Soviet naval forces or if it were to seek closer cooperation with Libya. At the same time, they see Malta as too closely linked with the West to allow the foreign policy latitude necessary to deal with Libya or the Soviets. Clearly, the West Europeans perceive Mintoff as needing them more than they need him.

The West Europeans seem to doubt that Mintoff's so-called Libyan option is viable. Although Libyan leader Qadhafi has publicly made vague pledges of support, neither he nor Mintoff has revealed any detailed agreements. On balance, the West Europeans believe that with

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Malta, Qadhafi will repeat his history of parsimony with Libyan money and his tendency to give technical aid rather than cash grants. They are also aware that the Maltese are traditionally suspicious of the Libyans, which the West Europeans believe will constrain Mintoff.

The West Europeans would regard a Soviet-Maltese agreement as dangerous, but they see the possibility of direct assistance from the Soviet Union as even more unlikely than the so-called Libyan option. They point to Mintoff's apparent fear and mistrust of Soviet intentions in the Mediterranean and his often-expressed desire to see the Mediterranean free of superpower influence. The West Europeans' perception of a lack of real options for Mintoff together with their perception that Mintoff would face strong domestic difficulties if he moved toward either the Arabs or Soviets lie behind their reluctance to provide direct budgetary grants to Malta. Instead, they are offering a less costly mix of low-interest loans and project assistance far below what Mintoff expects.

Outlook

Mintoff's main objective is to change Malta's economic orientation so that the country is no longer dependent on foreign base payments but is oriented toward trade. The Prime Minister clearly believes that to secure his objective he must threaten the West Europeans with a dangerous alternative. But his frequent playing of the Libyan card--without much followthrough--has diminished its value.

Mintoff will eventually have to compromise on his desire for direct budgetary assistance and accept a more diversified program of economic aid from the West. The longer it takes to reach such a compromise, however, the greater will be the pressure on Mintoff to make some dramatic move that might run counter to his desire to avoid excessive Libyan or Soviet influence in Malta. Mintoff is thus faced with deciding how to create a sense of urgency about Malta in the West, without ultimately jeopardizing his country's ties to the West.

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